

Unapproved Minutes  
Utah Charter School Finance Authority  
November 13, 2015

Members of the Authority Present:

David Damschen (Acting State Treasurer)  
Phil Dean (Governor's Office of Management and Budget)  
Scott Jones (State Office of Education)

Others Present:

Stacy Carroll (State Charter School Board)  
Emily Barton (State Treasurer's Office)  
Bruce Williams (Zions Public Finance)  
Erin Preston (Lear & Lear)  
Natalie Grange (State Office of Education)  
Clint Biesinger (Verapath Global Investing)  
Mike Hess (American Leadership Academy –Board of Trustees)  
Jan Searle (American Leadership Academy)  
Richard Morley (American Leadership Academy)  
Eric Hunter (Chapman & Cutler)  
Ryan Warburton (Ballard Spahr)  
Jacob Carlton (Ballard Spahr)  
Reed Stringham (Attorney General's Office)  
Perri Babalis (Attorney General's Office)

Meeting called to order by David Damschen at 1:00 p.m.

Introduction made by those in attendance.

Items of Business:

1. Approval of Minutes  
Motion was made by Phil Dean to approve the minutes of the Authority's September 17, 2015 meeting. The motion passed unanimously.
2. Election of Chair  
Richard Ellis has resigned as State Treasurer, and David Damschen has been appointed by the Governor as Acting State Treasurer. Mr. Damschen suggested election of a temporary chair for administrative purposes. Motion was made by Scott Jones to nominate David Damschen as chair of the Utah Charter School Finance Authority. The motion passed unanimously.
3. American Leadership Academy Application for Conduit Financing  
Bruce Williams (Zions Public Finance) discussed his analysis of American Leadership Academy's (ALA) application. Mr. Williams indicated that all the requirements were met with the exception of revenue and expenditure forecasting and current ratio, which items were cited in the State Charter School Board certification letter. Mr. Williams discussed these issues with ALA, and the school explained that the variance was due to a conservative

budgeting approach and the desire to increase fund balances. Mr. Williams stated that he had several discussions with the school regarding the appropriate inclusion of current year's portion of long term debt in the current ratio calculation and he confirmed for the school that the ratio should be calculated including the current portion of long term debt. Including the current long term debt reduces the ratio to an unacceptable level. Jacob Carlton (Ballard Spahr) provided a summary of the bond resolution and Mr. Damschen open up the meeting to questions. Mr. Dean requested further details concerning the unsatisfactory items and Mr. Jones wanted to understand how the switch to ADM plus growth could affect the school's projected revenues. Clint Biesinger (Verapath Global Investing) explained that the budget variance is based upon a conservative budgeting practice by ALA. Mr. Biesinger assured the Authority that the school's board is actively monitoring and adjusting the budget throughout the year. Mr. Dean requested that ALA representatives further explain revenue and expenditure variances. Jan Searle (American Leadership Academy) explained that in FY2014 there was an increase in benefits, salaries, additional staff was hired, supplies, and a one-time expense to extend the road. Mr. Biesinger explained that the current ratio is designed to make sure that an entity has the ability in a cash shortage in the short term be able to fund their obligations and explained that he reached out to S&P and they didn't give much weight to the current ratio. Mr. Biesinger went on to explain that ALA facility revenue ratio was among the lowest in the state at 14% while the average for the state is 18% plus percentage rate. Concerns were expressed by the Authority about ALA's unsatisfactory findings, but expressed that the discussion had helped alleviate them. Mr. Dean makes a motion to approve the resolution and the motion passed unanimously.

4. Discussion of RFSQ for charter school bond and special issuer's counsel

Mr. Damschen explained that the procurement allowed the Authority through the Attorney General's office to weigh in on the selection of bond counsel to ensure a certain standard is maintained in the professional legal services provided by bond counsel for charter schools. The objective behind the procurement was to possibly discontinue the use of special issuer's counsel or to ensure competitive pricing on legal fees for special issuer's counsel. Reed Stringham (Attorney General's Office) explained each applicant had to meet certain minimum qualifications, and mentioned that the process is not yet complete. Mr. Jones made a motion to ratify and accept the outcome of the Attorney General's procurement process and the motion passed unanimously.

5. Providence Hall Update

Mr. Damschen explained that in the previous meeting there was a discussion regarding Providence Hall's breach of one of its financial covenants, related to projected enrollment. The Authority requested an updated enrollment number once the October 1 enrollment numbers were finalized. Providence Hall did provide the updated number and the overall enrollment is the same at 2059 students and with the High School enrollment being at 502 students. The school is now fully compliant with all financial ratio covenants related to the credit enhancement program.

Motion made by Mr. Jones to adjourn.